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**MEDICARE PRIVATIZATION TRUMPS MORAL VALUES IN GOP BUDGET**

*Eliminating Medicare's Private Plans Would Yield More than \$50 Billion in Savings, Instead  
GOP Budget Takes Aim at Programs  
that Serve the Poor*

WASHINGTON, DC -- New estimates from the Congressional Budget Office show that simply equalizing Medicare HMO payments with those provided under fee-for-service (FFS) Medicare would yield savings of \$21 billion/5 years (\$51.7 billion/10 years). These savings are drawn from eliminating the formula overpayments, removing payments for indirect medical education that were improperly included in the plan payments and repealing the PPO slush fund that is slated to take effect next year.

"The Republican budget makes abundantly clear where their priorities lie: they lie with special interests, not with people. There are billions of dollars in savings available by simply removing obscene overpayments to HMOs in Medicare. Instead, Republicans protect those interests and choose to cut Medicaid and income security programs that are lifelines for poor and vulnerable populations," said Rep. Pete Stark (D-CA).

As prescribed in the Republican Medicare Modernization Act of 2003, Medicare HMOs (called "Medicare Advantage" or MA plans) are now paid approximately 115 percent of fee-for-service costs (FFS). Because MA payments are drawn from Part A and Part B, these overpayments have shortened solvency of the Trust Fund and contributed significantly toward the record-high premiums for all beneficiaries in 2005. Under current law, the government spends more for each beneficiary who enrolls in a private plan that would have been spent had the beneficiary remained in traditional Medicare. Despite Republican rhetoric about private plans being more efficient, the opposite is true.

“The fact is, neither CBO nor the Administration’s own actuaries ever show any savings from private plans – not over five years, ten years, 75 years or even the so-called ‘infinite horizon’,” said Rep. Stark.

**CHART:** [Congressional Budget Office Estimates of Savings for Equalizing Medicare Advantage and Fee-for-Service Payments \[pdf\]](#)